

Message Text

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E.O. 11652: N/A

TAGS: AFSP, ETRD, UK

SUBJECT: VISIT OF GAO AUDIT TEAM RE VRA FOR STEEL AND
QUANTITATIVE RESTRICTIONS ON DAIRY PRODUCTS.

REF: (A) BONN 13329, (B) STATE 184359

1. PER REFTELS JOAN MCCABE AND ROBERT RUSSELL REPORTED
EMBASSY LONDON FROM GAO FRANKFURT OFFICE SEPTEMBER 3.
THEY PLAN SPEND THREE OR MORE WEEKS LONDON DOING PART
OF WORLD WIDE GAO INITIATED REVIEW OF ADMINISTRATION AND
ECONOMIC EFFECTS OF VRA, AND OTHER QUANTITATIVE
RESTRICTIONS ON IMPORTS INTO U.S., OVER PAST SEVERAL
YEARS. IN U.K., TEAM STUDY WILL CONCENTRATE ON 1972
VRA STEEL AGREEMENT AND DAIRY PRODUCTS.

2. RE STEEL, THE TEAM HAS BEEN INSTRUCTED SEEK ANSWERS
TO FOLLOWING SPECIFIC QUESTIONS IN CONVERSATIONS WHICH
WE SHALL ARRANGE WITH DEPARTMENT OF TRADE, BRITISH
INDEPENDENT STEEL PRODUCERS ASSOCIATION, THE
CONFEDERATION OF BRITISH INDUSTRIES AND BSC.

BEGIN QUOTE

A. DETERMINE THE EFFECTS OF VRA'S ON STEEL EXPORT
PRICES TO THE UNITED STATES.

1. A SIGNIFICANT INCREASE OCCURED IN AVERAGE
EEC STEEL EXPORT PRICES AFTER THE VRA'S WENT INTO EFFECT.
FIND OUT IF THESE PRICES APPLY TO EACH OF THE COUNTRIES

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VISITED. IF NOT, ATTEMPT TO DEVELOP SIMILAR DATA.

2. DETERMINE THE EXTENT TO WHICH THE PRICE INCREASES DURING 1969 AND SUBSEQUENT YEARS RELATE TO THE VRA'S. ASK PERSONS BEING INTERVIEWED TO EXPRESS THE VRA RELATED INCREASE ON A PERCENTAGE OR DOLLAR PER TON BASIS.

3. ASK IF EXPORT PRICES TO THE U.S. MARKET WERE HIGHER THAN PRICES TO OTHER EXPORT MARKETS AFTER THE VRA'S WERE IMPLEMENTED?

4. CONFIRM THAT VRA'S HAVE NOT INFLUENCED EXPORT PRICES TO THE UNITED STATES SINCE THE MONETARY REVALUATIONS AND THAT EEC EXPORT PRICES ARE HIGHER THAN U.S. DOMESTIC PRICES ON SEVERAL PRODUCT LINES.

5. INQUIRE INTO THE PROFIT MARGINS OF EC PRODUCERS. ARE THE CURRENT HIGH PRICES RESULTING FROM COST-PUSH OR DEMAND PULL CONDITIONS? DO EC PRODUCERS FEEL U.S. PRODUCERS CAN COMPETE WITH THEM ON A COST BASIS?

B. INQUIRE INTO THE EXTENT TO WHICH THE VRA'S LIMITED EXPORTS TO THE UNITED STATES.

1. OBTAIN AND ANALYZE EXPORT GROWTH TRENDS TO THE UNITED STATES BEFORE AND AFTER THE VRA'S. SLOWED THEIR EXPORTS? #

3. DID THE VRA'S CONTRIBUTE TO A SHIFT TO HIGHER VALUE PRODUCTS?

4. IDENTIFY ANY PRODUCT LINES ON WHICH FOREIGN PRODUCERS FEEL THEY STILL ENJOY A COMPETITIVE ADVANTAGE RELATIVE TO U.S. PRODUCERS. DO THE VRA'S EFFECTIVELY LIMIT THEIR EXPORTS ON THESE LINES?

C. DETERMINE HOW FOREIGN PRODUCERS ADMINISTER AND MONITOR STEEL EXPORTS COVERED BY THE VRA'S.

1. ASK HOW THE QUOTAS WERE ALLOCATED AMONG LIMITED OFFICIAL USE

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PARTICIPATING COUNTRIES? WHAT WAS THE BASIS FOR QUOTA ALLOCATIONS TO SPECIFIC COMPANIES?

2. DID THE VRA'S ENCOURAGE EXPORT CARTELS OR CARTELIZATION OF THE INDUSTRY?

3. DID COMPANIES/COUNTRIES FIND LOOPHOLES TO AVOID THE RESTRICTIONS?

D. DETERMINE THE EXTENT TO WHICH U.S. FIRMS MAINTAIN INVESTMENTS IN THE FOREIGN STEEL INDUSTRIES.

E. ASK IF THE VRA'S INFLUENCED DECISIONS ON EXPANSION PLANS OF THE EUROPEAN INDUSTRY? HOW?

F. HOW ARE COUNTRIES PROVIDING FOR CAPITAL NEEDED TO EXPAND PRODUCTION CAPABILITIES IN VIEW OF HIGH INTEREST COSTS?

G. WHY DID NOT THE UNITED KINGDOM ENTER INTO VOLUNTARY RESTRAINTS DURING THE 1969-1971 PERIOD.

H. WERE U.K. EXPORT PRICES TO THE U.S. LOWER THAN THE EXPORT PRICES OF EC COUNTRIES COVERED BY QUOTAS? IF SO, HOW MUCH?

I. DID THE U.K. TAKE ADVANTAGE OF THE VRA'S BY GAINING A LARGER SHARE OF THE U.S. MARKET DURING THE 1969-71 PERIOD?

J. WHAT BASE WAS USED TO NEGOTIATE U.K. QUOTA AMOUNTS FOR THE 1972-74 AGREEMENTS? UNQUOTE
SOHM

NOTE BY OC/T: #AS RECEIVED.

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